

## Message Text

LIMITED OFFICIAL USE

PAGE 01 EC BRU 05357 162026Z

66

ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 FEA-01

/100 W

----- 059943

R 161859Z JUN 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 9065

INFO ALL EC CAPITALS 773

AMEMBASSY ANKARA

AMEMBASSY BERN

AMEMBASSY MADRID

AMDMBASSY OSLO 2239

AMEMBASSY OTTAWA

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMEMBASSY WELLINGTON

LIMITED OFFICIAL USE EC BRUSSELS 5357

E. OGM 11652 :N/A

TAGS: EC, ENRG

SUBJECT: EC COMMISSION PAPERS FOR COMMUNITY FINANCING IN ENERGY  
AND PROVIDING INCENTIVES FOR INVESTMENT IN ALTERNATIVE  
SOURCES

1. SUMMARY: IN TWO PAPERS SUBMITTED TO THE COUNCIL ON  
JUNE 11, THE EC COMMISSION OUTLINED ITS PROPOSALS FOR  
FINANCING INVESTMENT IN THE ENERGY SECTOR THROUGH 1985 AND  
FOR PROVIDING INCENTIVES TO INVESTORS. THE COMMISSION  
GIVES FIRST PRIORITY TO SPECIFIC SUPPORT MEASURES FOR  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 EC BRU 05357 162026Z

INDIVIDUAL PROJECTS BUT ALSO RECOMMENDS THAT THE COUNCIL

APPROVE A MINIMUM SAFEGUARD PRICE WHICH COULD BE IMPLEMENTED AT A LATER TIME. END SUMMARY.

2. THE EC COMMISSION APPROVED ON JUNE 11 AND SENT TO THE COUNCIL TWO PAPERS, ONE ENTITLED "ESSENTIAL BASES FOR A POLICY OF DEVELOPING ALTERNATIVE SOURCES OF ENERGY IN THE COMMUNITY AND IN A LARGER FRAMEWORK OF INTERNATIONAL COOPERATION," AND A SECOND ENTITLED, "COMMUNITY FINANCING OF ENERGY POLICY." THE ENGLISH TEXTS WILL BE AVAILABLE LATER THIS WEEK AND WILL BE TRANSMITTED BY AIRGRAM. THE FOLLOWING SUMMARY WAS PREPARED FROM THE FRENCH TEXT. THE TWO DOCUMENTS OVERLAP CONSIDERABLY, WITH THE PAPER ON COMMUNITY FINANCING PROVIDING MORE DETAIL.

3. THE PAPERS NOTE THAT THE COUNCIL HAS ALREADY DECIDED TO REDUCE THE COMMUNITY'S DEPENDENCE ON IMPORTED ENERGY TO 50 PERCENT OR IF POSSIBLE TO 40 PERCENT. DEPENDENCE OF 40 PERCENT WOULD REQUIRE AN INVESTMENT OF 204 BILLION UNITS OF ACCOUNT BETWEEN 1975 AND 1985; 50 PERCENT WOULD REQUIRE 180 BILLION. A NECESSARY CONDITION TO ATTRACT INVESTMENT OF THIS MAGNITUDE WOULD BE SOME SORT OF ASSURANCES OF THE PROFITABILITY OF SUCH INVESTMENTS. AT PRESENT PRICE LEVELS FOR PETROLEUM THE COMMISSION BELIEVES SUFFICIENT INCENTIVE EXISTS BUT ONE MUST ADOPT POLICIES WHICH WOULD PROTECT INVESTMENTS IN THE EVENT OF A MAJOR OR SUDDEN PRICE DROP.

4. THE PAPERS INDICATE THIS COULD BE DONE TWO WAYS:  
A) BY SPECIFIC MEASURES TO SUPPORT OR GUARANTEE INDIVIDUAL INVESTMENTS AND B) BY THE ESTABLISHMENT OF A MINIMUM SAFEGUARD PRICE.

5. THE PAPERS INDICATE THAT THERE IS ALREADY AUTHORIZATION UNDER THE TREATIES FOR THE FOLLOWING MEASURES OF A SPECIFIC NATURE: LOANS OR LOAN GUARANTEES, INTERST REBATES, SUBSIDIES, SUPPORT OF SCIENTIFIC AND TECHNICAL RESEARCH, AND GUARANTEES AGAINST LOSS. THESE ARE SPELLED OUT IN GREATER DETAIL IN THE "COMMUNITY FINANCING" PAPER. THE COMMISSION INDICATES ITS INTENTION TO INTENSIFY ITS ACTIVITIES WHERE IT HAS EXISTING AUTHORITY LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 EC BRU 05357 162026Z

AND TO REQUEST THE COUNCIL TO CREATE NEW AUTHORITY FOR PROVIDING INCENTIVES TO POTENTIAL INVESTORS IN ALTERNATIVE SOURCES. THE COMMISSION WILL PRESENT ANNUALLY TO THE COUNCIL A DOCUMENT INDICATING HOW MUCH INVESTMENT WILL BE REQUIRED AND SUGGESTIONS FOR MEASURES TO PROVIDE THE NECESSARY INCENTIVES.

6. IN ADDITION TO THE SPECIFIC MEASURES NOTED ABOVE,

THE PAPERS INDICATE THAT SOME SORT OF GUARANTEE WILL HAVE TO BE PUT IN PLACE TO PROTECT AGAINST THE RISK OF A SHARPELY REDUCED PRICE OF IMPORTED OIL. THIS COULD BE DONE EITHER BY A SYSTEM OF GUARANTEES WHICH WOULD GO BEYOND THE SPECIFIC MEASURES MENTIONED ABOVE OR BY A GENERAL LEVEL OF PROTECTION OF ENERGY MARKETS IN THE COMMUNITY BY A MINIMUM SAFEGUARD PRICE. THE PAPERS ARGUE THAT THE SECOND APPROACH HAS SEVERAL MERITS: IT WOULD PREVENT THE DEVELOPMENT OF A SITUATION SUCH AS EXISTED DURING THE SIXTIES WHERE THE LOW PRICE OF CRUDE PREVENTED THE DEVELOPMENT OF SECURE ALTERNATIVE SOURCES OF ENERGY; AND IT WOULD PERMIT CONSUMERS TO BENEFIT FROM LOWER PRICES DOWN TO THE POINT WHERE THEIR COST IS COMPATIBLE WITH THE COST OF SECURE ALTERNATIVE SOURCES.

7. THE MINIMUM SAFEGUARD PRICE SHOULD BE FIXED ON THE BASIS OF ECONOMIC CRITERIA AND SHOULD BE A FUNCTION OF THE COST OF DEVELOPMENT OF THE PRINCIPAL ALTERNATIVE SOURCE WHICH IN THE CASE OF THE COMMUNITY IS NUCLEAR ENERGY. THE COMMISSION NOTES THAT THE SAFEGUARD PRICE SHOULD IN NO WAY BE CONSIDERED AS A CONFRONTATION WITH THE PRODUCER COUNTRIES. ON THE CONTRARY IT IS CONSISTENT WITH POLICIES BEING PURSUED BY THEM. THE COMMISSION ADDS THAT THE ESTABLISHMENT OF A LEVEL OF THE MINIMUM SAFEGUARD PRICE IS OF LESS URGENCY THAN PUTTING INTO PLACE THE SPECIFIC MEASURES OF INCENTIVE OR SUPPORT BUT

ASKS THE COUNCIL TO RESERVE FOR THE COMMUNITY THE POSSIBILITY OF ESTABLISHING SUCH A PRICE AND PUTTING IT INTO OPERATION AT THE OPPORTUNE TIME.

8. THE COMMISSION ENVISAGES COOPERATION IN THE FORM OF LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 EC BRU 05357 162026Z

JOINT PROJECTS OF COMMON INTEREST. THE COMMUNITY AS SUCH WOULD EXPECT TO PARTICIPATE IN CERTAIN OF THESE.

9. THE COMMISSION SEES THE LEVEL OF THE MINIMUM SAFEGUARD PRICE AS BEING SUBJECT TO REGIONAL DIFFERENCES RATHER THAN BEING APPLIED GLOBALLY FOR ALL CONSUMERS; IT WOULD DEPEND UPON THE SUPPLY AND DEMAND CHARACTERISTICS IN THE DIFFERENT AREAS. THE MINIMUM PRICE WOULD BE ESTABLISHED ON AN FOB BASIS BUT ADJUSTED UP OR DOWN FOR "REGIONAL" DIFFERENCES. IN THE COMMISSION'S VIEW THE ESTABLISHMENT OF THE MINIMUM SAFEGUARD PRICE FOR CONSUMING COUNTRIES IS NOT THE FIRST PRIORITY. IT IS MORE IMPORTANT TO FIX COMMON PRODUCTION GOALS FOR ALTERNATIVE SOURCES AND TO INSURE THAT RESOURCES AND THE POSSIBILITY OF INVESTMENTS ARE EQUALLY AVAILABLE

TO ALL PARTNERS. THE INTERNATIONAL COOPERATION MUST  
FORM A PACKAGE IN WHICH ADVANTAGES AND OBLIGATIONS ARE  
EQUALLY SHARED. GREENWALD

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC ASSISTANCE, POLICIES, ENERGY, REGIONAL ORGANIZATIONS, FOREIGN MINISTERS MEETINGS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 16 JUN 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** CunninFX  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975ECBRU05357  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750209-0755  
**From:** EC BRUSSELS  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750644/aaaabnpe.tel  
**Line Count:** 172  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** CunninFX  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 09 APR 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <09 APR 2003 by ShawDG>; APPROVED <22 SEP 2003 by CunninFX>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** EC COMMISSION PAPERS FOR COMMUNITY FINANCING IN ENERGY AND PROVIDING INCENTIVES FOR INVESTMENT IN ALTERNATIVE  
**TAGS:** ENRG, PFOR, EFIN, EEC  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006